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May 22, 2007

VIA FACSIMILE

The Honorable Henry M. Paulson, Jr.
Secretary
Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Dear Secretary Paulson:

I am writing regarding an Internal Revenue Service proposal to require certain websites to collect personal data, including Social Security numbers, on their sites before allowing purchases. In light of recent data breaches, it is important that personally identifiable information be kept secure.

Under this proposal, I understand Social Security numbers will be collected by certain sites permitting an individual or business to conduct commerce. This will result in many more online companies creating and retaining databases of Social Security numbers, coupled with individuals' names, addresses, and other personal information. As data collection increases, and this sensitive information is held and transferred among additional databases and multiple sites, the risk that an individual's sensitive personal information could be lost or compromised increases dramatically.

Certain firms may not be equipped with adequate technology to securely store sensitive personal information of customers. In addition, companies will be required to collect data on all sellers since they will not know which sellers have reached the reporting threshold until year's end. Finally, this proposal could have a significant impact on e-commerce if customers choose not to conduct transactions online, or if small merchants are faced with significant data collection and retention requirements.

Certainly, all individuals and businesses should pay fair and appropriate taxes on earnings, and the IRS has historically relied on Social Security numbers for tax reporting and collection purposes. However, the need for proper reporting of income by sellers should be balanced against the risk to individuals' sensitive personal information.

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Numerous agencies and businesses no longer use Social Security numbers in transactions. As recent incidents of data breaches at federal agencies have shown, we should work to reduce the use and proliferation of sensitive personal information whenever possible, and critical data like Social Security numbers must be protected.

As this proposal moves forward, I hope the personal information of the millions of individuals conducting business online will be protected. Therefore, I write to ask that the appropriate Treasury Department official brief my committee staff on plans for safeguards in the near future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Davis", with a stylized, cursive script.

Tom Davis
Ranking Member